

CALIFORNIA MEDICAL ASSISTANCE COMMISSION

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«HFPA»/«LICNO»

April 16, 2007

OVERNIGHT DELIVERY

«CHIEF_EXECUTIVE_OFFICER»

Chief Executive Officer

«Facility»

«ADDRESS»

«CITY», CA «ZIP»

Re: Distressed Hospital Fund Negotiations

Dear «SALUTATION»:

This letter is to inform you that the California Medical Assistance Commission (Commission) is commencing the process for negotiations on distributions from the Distressed Hospital Fund for State fiscal year 2006-07.

In 2005, the Medi-Cal Hospital/Uninsured Care Demonstration Project Act (Welfare and Institutions Code, Section 14166, et. Seq.) modified the Medi-Cal reimbursement methods for California's public hospitals and revised other supplemental payment processes for both California's public and private hospitals. The Act also established a new program and a new fund, the Distressed Hospital Fund ("Fund"). This Fund is described in the Act under Welfare and Institutions Code, Section 14166.23, and provides that the Commission may negotiate with Selective Provider Contracting Program (SPCP) hospitals for distributions from the Fund.

For State fiscal year 2005-06, negotiations and distributions from the Fund, were completed in June 2006. This letter initiates negotiations for the second year of the demonstration project established by the Act.

As noted in last year's announcement letter initiating the negotiations, the Fund was established with relatively limited resources. Due to the small size of this Fund, the Commission may find it necessary to focus its effort on a small number of hospitals in order for the available funds to have more impact. This focus is consistent with the many comments received from hospitals and association representatives during the initial design and development of the 2005-06 process.

As an SPCP hospital, your hospital is invited to submit a proposal justifying your request for a distribution from the Fund this fiscal year. Welfare and Institutions Code, Section 14166.23 (a) states that in order for a hospital to qualify for distributions from the Fund, the hospital must, "as determined by the Commission in its discretion" meet **all three** of the following criteria:

- Serve a "substantial volume" of Medi-Cal patients, measured either as a percentage of the hospital's overall patient volume, or by the total volume of Medi-Cal services provided by the hospital;

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- Be a “critical component” of the Medi-Cal program's health care delivery system, such that the system would be significantly disrupted if the hospital reduced Medi-Cal services or no longer participated in the program;
- Be facing a “significant financial hardship” that may impair its ability to continue its range of services for the program.

SPCP hospitals that feel they meet all three of the above criteria are invited to submit proposals that not only clearly demonstrate how the hospital meets the above criteria, but that also clearly state why the Commission should consider your proposal over proposals submitted by other qualifying SPCP hospitals. However, please be advised that submitting a proposal and entering into preliminary negotiations **does not** ensure that your hospital will receive a distribution from the Fund.

Proposals should include a funding request, be no longer than five (5) pages in length, and must be received by the Commission by **5:00 PM on April 30, 2007**. To avoid duplicative paperwork, if your hospital is participating in the Private Hospital or the Non-designated Public Hospital Supplemental Payment Program, you may utilize that proposal to outline your financial needs. But you still must demonstrate how your hospital meets the statutory criteria and why the Commission should consider your proposal over other qualifying hospitals.

In addition to the proposals, hospitals are required to submit the attached “Intent to Participate” form. Additionally in order to commence negotiations for a distribution from the Fund, you must provide the certifications and declarations required by Section 100531 of Title 22 of the California Code of Regulations. Suggested language for a Certifications and Declarations document is enclosed for your reference or, if you prefer, for your signature.

If you have any questions regarding these matters, please do not hesitate to call «negotiator» , at (916) 324-2726.

Sincerely,

Keith Berger
Executive Director

KB/cl
Enclosures